



Construction-Let Project Budget Policy

Policy # FM026
Effective: 2-15-2021

Policy Owner: Chief Financial Officer

Policy Contact: Assistant Commissioner, Operations Division

Policy Statement

The Minnesota Department of Transportation (MnDOT) will manage and control project construction costs through a department wide financial management approach to project budgeting. The construction-let project budget for all MnDOT-let construction projects:

- must be established before a project enters the Statewide Transportation Improvement Program (STIP);
- is based on the estimated construction-let amount and any risk-based or other project contingencies; and
- represents the current maximum amount the District has determined to spend on the project's construction and any contingencies.

For detailed guidance on complying with the Construction-Let Project Budget Policy, see the Construction-Let Project Budget Guidance document prepared by the MnDOT Operations Division.

The requirements are effective with the 2022-2025 STIP and thereafter.

Reason for Policy

Effective management of project financing commitments requires that all construction projects have a budget that represents the full financial resource commitment of MnDOT to construct the project. This requirement applies to projects funded through the state road construction appropriation, trunk highway bonding appropriations, special revenue funds, grants from the Federal Highway Administration, or any source of funding for MnDOT projects that are tracked in the agency's CHIMES application. Requiring that financial commitments are accurately represented by a budget ensures the systematic and timely distribution of resources, which in turn increases the value of the investments made with these agency resources.

Changes in project scope, costs, and schedule are inevitable and may occur for any number of reasons. Proposed changes in a project purpose and scope may be brought forward by MnDOT design engineers, project partners, and stakeholders. This policy supports MnDOT's efforts to manage these project changes in a way that protects investments in agency priority programs and projects and provides reliability and consistency in construction project financing. This policy will help to align the agency's priorities with available resources and assist in informing the impact that budget decisions have on other projects and programs.

This policy also supports MnDOT's efforts to build trust and provide reliable and accurate information to Tribal Nations, local governments, and the public on the agency's construction program.

Applicability

All MnDOT employees must comply with this policy.

Key stakeholders affected by this policy include:

- Project Managers/Design Engineers
- District Engineers/Assistant District Engineers
- District Planners/Program Management
- MnDOT Finance and Budget Officers
- Operations Division
- CHIMES Coordinators
- Major Project Leadership Team
- Office of Transportation System Management
- Chief Financial Officer
- Senior Leadership
- MnDOT employees whose work involves budgeting, planning, designing, scoping, managing and reporting on MnDOT construction projects

Definitions

Capital Highway Information Management Enterprise System (CHIMES)

MnDOT's authorized source for project funding data. CHIMES is an application for tracking project funding details, targets and budgets, letting dates, and trunk highway capital performance indicators. Project data in CHIMES is used to produce Minnesota's State Transportation Improvement Program (STIP) for approval by the Federal Highway Administration and the Federal Transit Authority.

Cost Management

The process for managing cost estimates by conducting reviews and approvals, communicating estimates, monitoring scope and project conditions, evaluating the impact of changes, and making estimate adjustments as appropriate.

Construction-Let Project Budget

The total current funding commitment to the construction contract award of a project including project contingencies. The construction-let project budget must be easily identified within the Total Project Cost Estimate and reported in CHIMES. The construction-let project budget is set prior to the project entering the STIP and is based on cost estimates included in an approved Scoping Report. (See Construction-Let Project Budget Guidance.)

Major Project Leadership Team (MPLT)

A committee consisting of MnDOT leaders authorized to consider and approve proposed project budgets on larger, complex, higher risk projects.

Monte Carlo Simulation

A broad class of computational algorithms that use probabilities and estimates of impact in repeated random sampling to obtain numerical estimates of financial impacts of identified project risks.

Project Contingency

An estimate of anticipated costs required to mitigate identified risks, the sum of which is added to, and a component of, the construction-let project budget.

Project Cost Estimate File

A file that contains details about the basis of the project cost estimate and the backup calculations that support a construction-let project cost estimate and is maintained from the time a project is identified through construction.

Project Scoping

The project development phase that defines the project requirements, needs, deficiencies, purpose and risk and includes activities such as traffic forecasting, surveys, preparation of environmental documentation, public involvement, identification of right-of-way and utilities, and application of the complete streets policy.

Risk

A known or unknown event or condition that cannot be adequately defined or estimated with confidence at the time of preparing an estimate that may impact the project's schedule or budget.

Risk Analysis/Assessment

Measuring the probability and consequences of risks and estimating their implications on project objectives. Risks are characterized by probability distributions of possible outcomes. This process uses quantitative techniques such as Monte Carlo simulation and decision tree analysis to determine the effects of the risk on the schedule and/or budget.

Scope Changes

Changes in the project requirements or specifications on which the design is based. Examples may include changes to project limits, work types, or capacity factors such as traffic loads, vehicles per lane, safety, bridge types or hydraulics.

State Transportation Improvement Program (STIP)

A federally required document listing transportation projects using anticipated federal transportation dollars within a four-year window. This list of projects includes state and local transportation projects funded with federal highway or federal transit funds. Minnesota also includes most projects on the state trunk highway system regardless of funding source (federal or state). Rail, port, and aeronautics projects are included for information purposes. Refer to the [State Transportation Improvement Program](#) website for details.

Total Project Cost Estimate

The Total Project Cost Estimate (TPCE) consists of the base estimate (the estimate for all known project costs at the time of the estimate) plus contingency (the amount that reflects the estimated costs of the remaining risks to the project). The TPCE includes construction-letting costs, plus other costs such as preliminary engineering, right-of-way, construction engineering and change orders (See the iHUB link to [Project Management](#)).

Responsibilities

Project Managers

- Maintain and update the Project Cost Estimate File throughout the entire project development and delivery process.

- Submit construction-let project budget request to district leadership and the Major Project Leadership Team, when applicable, after scoping report and prior to entering the STIP.
- Conduct a quantitative risk analysis and maintain a current accurate risk register for each project.
- Develop a construction-let project budget recommendation based on scoping, cost estimation, schedule, and risk decisions.
- Ensure the Total Project Cost Estimate is complete and updated as project changes are adopted during project development.
- Under the direction of the District Engineer and in coordination with the CHIMES Coordinator, ensure that the construction-let project budget and all adjustments are entered into CHIMES.
- Request approval of a budget amendment if a construction-let budget change is necessary.
- Manage the project according to the approved construction-let budget and document changes.

District Engineer / Assistant District Engineer

- Review the construction-let project budget recommendation from the Project Manager and, in consideration of the District's needs, set the construction-let project budget.
- Work with the Project Manager to set the original and any subsequent changes to scope, schedule, and construction-let project budget.
- Consider proposed budget amendments and approve or deny requests.
- Coordinate early and meaningfully with Tribal Nations for projects on or near a reservation. Involve project managers, planners, Tribal Relations, and/or the Major Projects Leadership Team, as needed.

District Planners / Program Management

- Review all construction-let project budget recommendations for District/State program budget impacts.
- Include approved construction-let project budgets for projects into the District's portion of the STIP.

Operations Division and District Leadership

- Assign construction-let project budget complexity rating as outlined in the Construction-Let Project Budget Guidance and adjust as needed.
- Coordinate response to moderate to significant changes in scope, schedule or construction-let project budget between District and Operations Division leadership.

Chimes Coordinator

- At the direction of the District Engineer, enter and update construction-let project budget information and all adjustments in CHIMES.

Major Project Leadership Team

- Review the construction-let project budget information and the recommendation from the District and ultimately set the construction-let project budget for major projects.
- Review and approve the original construction-let project budget, and any subsequent changes to scope, schedule, and budget as the project development process proceeds.

Office of Transportation System Management

- Reconcile the sum of all construction-let project budgets and other uses of the annual construction appropriation in each year of the STIP to ensure spending commitments do not exceed the available appropriation.

Chief Financial Officer

- Ensure that all necessary procedures exist for compliance with this policy.
- Review policy every year, or sooner as necessary, to ensure policy remains up-to-date.
- Ensure guidance associated with the policy remains current.
- Work with Policy Coordinator to revise policy and/or confirm its accuracy.
- Communicate policy revisions, reviews, and retirements to stakeholders.

Resources & Related Information

Processes, Procedures, and Instructions

- Construction-Let Project Budget Guidance

Resources

- [State Transportation Improvement Program](#)
- [Project Management iHUB page](#)
- MnDOT's [Policy Website](#)

History & Updates

Title: *Construction-Let Project Budget Policy (2020)*

Revision	Date	Comments
Initial Adoption	2-15-2021	Policy #FM026 effective
1 st Revision		
2 nd Revision		
3 rd Revision		

Authorization

Policy Owner:

Signature: _____

Print Name: _____

Date: _____

Governance Committee has reviewed this policy and recommends approval:

Signature: _____

Print Name: _____

Date: _____

Responsible Senior Officer:

Signature: _____

Print Name: _____

Date: _____

Responsible Senior Officer:

Signature: _____

Print Name: _____

Date: _____

Policy Review

This policy has been reviewed by the Policy Owner, the policy content is current, and no significant modifications are needed. Minor modifications have been noted in the "Comments" section.

Date	Policy Owner Signature	Comments